Bill Creates a Public Option to Compete With Private Insurers;

Saves $68 Billion from 2014 through 2020

WASHINGTON, DC (July 22, 2010) – Reps. Jan Schakowsky (D-IL), Lynn Woolsey (D-CA), and Pete Stark (D-CA) today announced introduction of H.R. 5808, the Public Option Act . The bill, introduced with 128 original co-sponsors, would establish a "a not-for-profit" public health insurance option that would compete with private insurers in the Health Insurance Exchanges created by the Affordable Care Act. It would have to meet all the rules established for private Exchange plans, including benefit and cost-sharing levels, provider network adequacy, and consumer protections.

According to an analysis by the non-partisan Congressional Budget Office (CBO), the bill would save $68 billion from 2014 (the first year it would be available) through 2020. CBO also estimates that the public option would have, on average, premiums 5 - 7 % lower than private plans in the Exchanges.

“As one of 18 members of the President's National Commission on Fiscal Responsibility and Reform, I am charged with looking for ways to reduce the federal deficits,” said Schakowsky. “The nonpartisan CBO estimated that the public option would significantly trim federal spending. And by providing more choice, a public option would also make health care better and more affordable. Just this week, UnitedHealth Group -- the country's largest managed care company -- posted a 31% increase in second quarter net income while spending more on administrative costs and less on medical care. If a less expensive public option were available, UnitedHealth Group would face real competition, forcing them to think twice about charging excessive rates, and driving down costs.”

In the first three years of a public option, payment rates would be based on Medicare Parts A and B rates, though payments for physicians would be 5% greater. Prescription drug rates would be negotiated by the Secretary of Health and Human Services, who would also set rates for any new benefits, like well-child visits, not provided in Medicare. After 2017, the Secretary would set rates with the goal of ensuring access, affordability and value, and would maintain the doctor payment rate of “Medicare + 5%.”

Rep. Lynn Woolsey, the chief sponsor and Chair of the Congressional Progressive Caucus and President of Americans for Democratic Action: "As the deficit continues to grow, so does the need for a program that can save billions of dollars and improve health care while doing it. The robust public option offers lower-cost competition to private insurance companies. This will make insurance more affordable for those who do not have it and keep insurance affordable for those who do.”

Rep. Pete Stark, Chair of the House Ways and Means Health Subcommittee: "Today, Consumers Union reported that Blue Cross Blue Shield plans amassed billions in surpluses as they raised rates for millions of Americans. This is a good example of why we need a public option – to create an insurance plan that competes based on delivering quality, efficient care, not on delivering profits to shareholders. The result is more competition, better coverage, and lower premiums for millions of Americans."